



Small Forest Landowner Office Newsletter

November, 2009

Welcome

Greetings! We wish you a warm and healthy start to your Holiday Season. New this month is a feature article. Each month a feature topic will be presented and reported upon. With the holiday rush starting we wanted to make sure you had plenty of time to prepare for April and tax time. This month's article is contributed by John Walkowiak, Forest Tax Section, Washington Department of Revenue.

If you know of individuals or group that would like to receive the newsletter please direct them to the [SFLO Overview](#) page under related links.

If you would like to have additional topics, your story, event, or update covered please feel free to email the SFLO at SFLO@dnr.wa.gov. You can also find us at the [SFLO Overview](#) page on our website.

SFLO Program updates

Forest Practices, Savings of \$50 There is a growing market for logging and thinning residue (slash) that used to have no commercial value and would be burned or left on site. The material is either chipped on site or removed in bulk. Some landowners may not realize that salvaging logging or thinning slash is a forest practice and requires an approved forest practices application. The class of forest practice depends on where, when, and how the operation is conducted. Even if you are only selling thinning material, you still need an approved application. If you are planning to do some logging and think you may be able to sell the slash, it saves time and money if you include that option on your forest practices application. If you aren't sure if you need a permit for your operation, the staff at our region offices can help you decide. A list of region offices and the counties that they administer are listed on the [DNR website](#). Be smart, **save \$50** and include your chipping operation in your harvest FPA!

FFFPP Remember to check your culverts and bridges now! The rainy season has really started. If you see any damage or major erosion on your completed FFFPP projects please contact your project sponsor. You may need to clear debris and sediment on existing undersized culverts. Also, make sure to clean your cross drain culverts and ensure water energy dissipaters and sediment traps are functioning properly to help in controlling erosion.

The FFFPP steering committee welcomes Sam Comstock from WFFA as the new small forest landowner representative.

SMALL FOREST LANDOWNER OFFICE

Washington State Department of Natural Resources | 1111 Washington St. SE | PO Box 47001 | Olympia, WA 98504-7001 Phone 360-902-1400 E-mail SFLO@dnr.wa.gov

For questions call Rick Kuykendall at 360.902.1404 or click here for an [application](#).

Stewardship Each year DNR is required to do a statistically valid random sampling of ownerships with Forest Stewardship Plans, according to a nationwide Forest Service-prescribed protocol, to determine the extent to which Forest Stewardship Plans are actually being implemented “on the ground”. The perennial question from Congress being: Do the funds we spend on this program actually get any real results?

This year’s results: 79% of plans sampled covering 95% of acres sampled met the criteria.

Overall, this is excellent news. The discrepancy between # plans and # acres arises from the fact that a few very small acreage ownerships turned up in the sample on which there was little or no significant implementation. There appears to be a positive correlation between ownership size and degree of implementation. Forest health and wildfire threats in eastern Washington and availability of cost-share funds very positively influence the degree of implementation in Eastern Washington.

Stewardship field staff deserves a big tip of the hat for getting this done. A big thank you goes to all of the dedicated landowners who are following through on their management plans and to the private forestry consultants who continue to write and follow through on management plans.

Eastern Washington stewardship cost share work has new rates and a new application starting October 1st, 2009. This program provides 50% reimbursement to family forest landowners for Forest Stewardship Plans prepared by a private consulting forester and for thinning, pruning, and slash disposal work to reduce wildfire and bark beetle risk. The program is funded by annual competitive grant funds from the USDA Forest Service.

Current funds availability: Funds exhausted in Spokane, Stevens, Lincoln, and Pend Oreille counties – new applications being accepted for the waiting list. Limited funds remain in Ferry and Okanogan counties. Funding currently is adequate in all other Eastern WA counties.

2010 application is available on the DNR website or call 1-888-783-9548 to have one mailed to you. The new form is available online at [cost share application](#). If you have questions please email foreststewardship@dnr.wa.gov

Feature Article

Forestry cost-share payments and federal tax returns, John Walkowiak, Forest Tax Section, Washington Department of Revenue

It is your responsibility as a taxpayer to report all income from all sources on your Federal 1040 tax return. If you received forestry cost-share payments from a government agency over the past year, you should report those payments as part of your federal gross income. You and the IRS will both receive a Form 1099-G from the government agency showing your cost-share payment.

However, if the government cost-share program is approved under section 126 of the IRS code, you may elect to exclude a calculated portion of the cost-share payment from your federal gross income. Approved federal cost-share programs listed under Section 126 include: Conservation Reserve Program (CRP), Environmental Quality Incentives Program (EQIP), Wildlife Habitat Incentives Program (WHIP) and the Wetlands Reserve Program

(WRP). Please note, that land rental payments received under CRP are not cost-shares and cannot be excluded from your federal gross income.

The excludable portion of your cost-share payment is the present value of the larger of \$2.50 per acre or 10% of the average annual income from your property over the last 3 years. Calculating the present value requires using an interest rate, most commonly the interest rate from the Farm Credit System Bank may be used and you will need to attach a statement to your tax return describing the cost-share program and your exclusion calculations.

For many people it may be a better option to include the cost-share payment in your federal gross income. If you hold your timber land as an investment or for use as a business, you can deduct ordinary and necessary management expenses, such as thinning, brush control, fuel treatments, etc. For example, cost-share payments for Timber Stand Improvement (TSI) should be reported as gross income on your federal return. TSI costs are deductible as a current operating expense in the year incurred.

If the cost-share was for reforestation, most expenditures will qualify for the federal reforestation deduction. You can deduct outright the first \$10,000 per year of such reforestation expenses per qualified timber property. Any additional amount can then be amortized over the next 8 tax years.

For timber land owners that are “investors” you should report your cost-share payments as “miscellaneous income” on your Federal 1040 return. For timber landowners who treat their timber holdings as a “business”, report cost-share payments on Schedule C. Farmers should report using Schedule F.

Because federal timber taxation is a complicated process, you should consult your legal and tax professional for advice on your specific tax situation. Please refer to the National Timber Tax website located at www.timbertax.org for additional information. For assistance with Washington’s Timber Excise Tax when you harvest timber visit www.foresttax.dor.wa.gov

Upcoming Events and Opportunities

The Washington Society of CPAs, along with the USDA Forest Service and the States of Washington and Idaho are hosting a unique one day training opportunity for you to learn how to file federal timber income taxes, and understand timber tax responsibilities for the states of Washington and Idaho. The one day event will be held December 1st, 2009 in Spokane, Washington. Learn more and register today at www.wscpa.org.

A “Managing Forestlands for Biomass Utilization” seminar will be hosted in Springfield Oregon on December 10th, 2009. The seminar will cover case studies, state laws, and the economics of biomass extraction. For more information visit <http://www.westernforestry.org/biomass/biomass.htm>.

“How to develop a forest stewardship plan” class will be offered by the Northwest Natural Resources Group on December 12th, 2009. The fee is \$45. For more info visit <http://www.nnrg.org/news-events/events/12-12-how-to-write-a-forest-management-plan/>

Family Foresters Workshop sponsored by WSU and U of I extensions will be held **January 22, 2010** in Spokane. Family forests (also known as non-industrial private forests or “NIPF” lands) are vital to the economy and quality of life in the Inland Northwest. These lands are critical for wildlife habitat, timber production, scenic quality, and many other values. Unique skills are required of individuals who help family forest owners manage their property. This program is designed to: Strengthen the skills of consulting foresters, state-employed service foresters, and other natural resource professionals who work with family forest owners; and to serve as a forum to provide updates on emerging technology and knowledge applicable to family forestry.

www.regonline.com/2010_Family_Foresters_Workshop

Ties to the Land courses offered by WSU extension has been rescheduled to January 21st and 28th. It is *never too early* to develop a succession plan - planning the long-term future of your land is perhaps the single most important thing you can do as a land steward, whether of forestland, farmland, or ranchland. Your land will outlast you, but you can take steps now to ensure that it has a positive future. **Registration is happening now!** To register visit <http://snohomish.wsu.edu/forestry/TTL2009.htm>

Limited “scholarships” available for membership in NW Certified Forestry Just in time for the holidays NW Certified Forestry has received a small grant from the Pacific Mountain Alliance for Innovation that will provide a discounted membership to the first 10 landowners who apply. If you have property in Thurston, Lewis, Grays Harbor, Mason or Pacific counties, you are eligible for the scholarship. The scholarship provides the following discounts:

- 1.) If you own up to 100 acres of forestland, the first year membership fee through the scholarship is now \$50 (vs. \$230).
- 2.) If you own between 101 – 200 acres, the first year membership fee through the scholarship is now \$90 (vs. \$330).
- 3.) If you own more than 201 acres, please contact NW Certified Forestry for a custom bid on membership fees.

Membership benefits in NW Certified Forestry include: Two-hour on-site consultation, “Green” certification through the Forest Stewardship Council (FSC), Customized marketing assistance for log or lumber products, Carbon offset sales through NW Neutral, Assistance identifying financial assistance programs for wildlife habitat enhancement, Discounted registration to all educational and training workshops and events, A sturdy metal membership sign, and Monthly newsletters.

For more details on membership benefits in NW Certified Forestry, please visit the NNRG website at:

www.nwcertified.org or contact Kirk Hanson at kirk@nnrg.org.

News

Federal Estate Tax Update

The House Ways and Means Committee continues to develop an estate tax proposal, but the timeframe for a House vote remains unclear. While House leadership was interested in moving a bill quickly, this issue has now been delayed as the instead takes up a health care bill. The following bills are of interest to family woodland owners:

SMALL FOREST LANDOWNER OFFICE

Washington State Department of Natural Resources | 1111 Washington St. SE | PO Box 47001 | Olympia, WA 98504-7001 Phone 360-902-1400 E-mail SFOLO@dnr.wa.gov

*[HR 3254](#): The Family Farm Preservation and Conservation Estate Tax-- exempts working farms and woodlands from the estate tax if land is passed on in the family and kept in a "working" condition.

*[HR 3050](#): American Family Farm and Ranchland Protection Act -- provides stronger incentives under the estate tax for owners who place their land under a permanent conservation easement.

*[HR 3905](#): The Estate Tax Relief Act of 2009, gradually increases the value of estates that are exempt from the tax and gradually lower the tax rates for estates subject to the tax, to \$5 million exemption (adjusted for inflation) and 35% tax rate by 2019.

Click on the bill links to take action on these bills or visit

<http://www.familyforestaction.org/forestfoundation/issues/bills/> (Source: American Forest Foundation)

Transfer of Development Rights in Kittitas County In May 2009, ponderosa pine forest on the Parker Ranch in Kittitas County was conserved through [transfer of development rights](#), the first ever use of this conservation tool in Kittitas County, Washington. Read more at <http://www.biodiversity.wa.gov/ourbiodiversity/parkerranch.htm>

Lumber Industry Sees Hopeful Signs Of Slow Recovery Starting In 2010

PORTLAND, Ore. – Western sawmills, mired in historic lows in housing and lumber demand, should see signs of a recovery in 2010 after five straight years of losses, according to a forecast released by Western Wood Products Association. In its newest outlook, the lumber trade association notes 2009 should be the bottom for mills, with lumber demand dropping to the lowest point in modern history. While lumber markets are expected to improve in 2010, the recovery will be slow for Western mills.

“Given the unprecedented downturn, recovery for the lumber industry is unlikely to follow the same path as it has in the past,” said David Jackson, WWPA economist. “The challenge for mills will be adjusting to a ‘new normal’ for the future.” Source Western Wood Products Association News Release Prepared November 5, 2009

Read the full article at www2.wwpa.org

Forest Seedling Sales at Webster Webster Forest Nursery has plenty of seedlings for sale this year for all Westside stock types and many of the eastside species. Seedling prices start at \$100 for 100 trees or as low as \$250 for 1000 trees. Buying in bulk is considered the most economic for seedling purchases. Though a surplus of trees is anticipated this year you should contact the nursery to ensure supplies are adequate for you needs.

Contact Bill Taylor at 360.753.5305, bill.taylor@dnr.wa.gov or visit the website at [DNR Webster Nursery](#) .

Links

Washington Farm Forestry

<http://www.wafarmforestry.com/>

Washington State University Cooperative Extension

<http://ext.wsu.edu/forestry/index.htm>

Northwest Natural Resources Group

<http://www.nnrg.org>

Family Forest Foundation

<http://www.familyforestfoundation.org/>

Smallwood Utilization Network

<http://www.smallwoodnews.com/>

The Small Forest Landowner Office (SFLO) serves as a resource and focal point for small forest landowner concerns and policies. With a mission to promote the economic and ecological viability of small forest landowners, the office seeks to develop policies that conserve Washington's privately owned non-industrial forests. Recognizing the significant contributions small landowners make to protecting Washington's public natural resources, the office strives to equip landowners with all the necessary tools and information they need to keep their land in forestry use.

If you would no longer like to receive this update please email us at SFLO@dnr.wa.gov or call 360.902.1400

The new format for our newsletter will be web based. A link will be sent to you via our e-subscriber email system. You may have to adjust your spam or junk mail settings to allow mail from WADNR@govdelivery.com